

Nonprofit Corporations

Types, Structure, Purposes
Bureau of Commercial
Services
Corporation Division

Overview

- What does Nonprofit mean?
- Examples of Nonprofit Corporations
- Internal Structure
- Tax-exempt Status
- Specific Types of Nonprofits
- Ecclesiastical Corporations
- Foundations/Cooperatives
- Other State Agency Requirements

What does Nonprofit mean?



- No profits to individuals
- May be paid for services rendered
- Any profits realized must further the purpose for which the corporation was formed.

Examples of Nonprofit Corporations

- Social Clubs
- Churches
- Civic Organizations
- Foundations
- Hospitals
- Homeowner/Condo Associations
- Counseling/Crisis Centers
- Trade Associations



Internal Structure

- **Board of Directors: Manage and oversee corporation affairs. All nonprofit corporations must have a board (Section 501).**

Internal Structure (cont'd)

- 3 directors required – Section 505 amended by PA 222 of 2008
- Corporations formed after 7/16/08 must have 3 directors
- Beginning 180 days after effective date of PA 222 (7/16/08), corporations in existence on 7/16 must have 3

Internal Structure (cont'd)

- **Directorship** - only members of the Board of Directors have voting rights (Section 305)
- **Membership** – members of the corporation have voting rights (Section 304)
- Prior to 1983, all nonprofits were membership-based corporations. Must amend or restate articles to choose directorship

Officers

- **Required: President, Secretary, and Treasurer (Section 531)**
- **An officer, as between that officer, other officers, and the corporation, has such authority and shall perform such duties in the management of the corporation as may be provided in the bylaws, or as may be determined by resolution of the board not inconsistent with the bylaws.**

Tax-Exempt Status

- **Nonprofit does not automatically mean tax-exempt status**
- Tax-exempt status obtained through IRS
- Articles must include language provided by the IRS (Pub. 557)

Specific Types of Nonprofits

- Churches
- Foundations
- Cooperatives

Ecclesiastical Corporations



- Formed to teach and spread religious beliefs (churches).
- Automatically “membership” based
- Still nonprofit, but subject to Nonprofit Act and General Corporation Act (Section 178)

Foundations and Cooperatives

- Foundation - (MICH) receives and administer funds [[Section 212\(3\)](#)]
 - (IRS) How the nonprofit is financed
- Cooperative – must be membership

Other State Agency Requirements

- Michigan State Housing Development Authority (MSHDA)
 - Low income housing
- Department of Education or LARA
 - Private K-12 school (Education)
 - Postsecondary: Private College or Licensed Proprietary School (LARA)

Other State Agency Requirements

- Treasury
 - State taxes
- Workers' Compensation Agency
 - Employment issues
- Lottery
 - Gaming information/licensing

Questions??

